

FISCAL NOTE

SB 3521 - HB 3444

February 21, 2008

SUMMARY OF BILL: Authorizes any county or municipality that has elected Tennessee River Resort District (TRRD) status to repeal such election by adopting a resolution or ordinance approved by a two-thirds vote of the legislative body of the jurisdiction.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Exceeds \$500,000

Increase Local Revenue – Exceeds \$500,000

Assumptions:

- Local governments receive 4.5925% of state sales tax revenue under current law. Each county's share of this allocation is based on the county's respective population. Counties which are eligible for Tennessee River Resort District (TRRD) status can, in lieu of the allocation based on population, receive a special allocation equal to 4.5925% of the state sales tax revenue actually collected and remitted from the jurisdiction, if it has elected TRRD status. In addition, local governments who are eligible and elect TRRD status are authorized to sell liquor-by-the-drink.
- The fiscal impact of this bill is dependent upon multiple unknown factors such as the number of counties and municipalities that will desire to repeal such TRRD status, the number that will successfully pass resolutions or ordinances by a two-thirds vote, the extent of any allocations of state sales tax revenue as a TRRD relative to allocations after such successful repeals, whether or not any such counties or municipalities had begun selling liquor-by-the-drink as a result of electing TRRD status, and whether or not such counties or municipalities who have begun selling liquor-by-the-drink would be prohibited from doing so after repealing their election as a TRRD.
- It is estimated that counties or municipalities will only pursue repeals if discovering after having elected TRRD status that it would be beneficial for the county or municipality to repeal such election. This situation

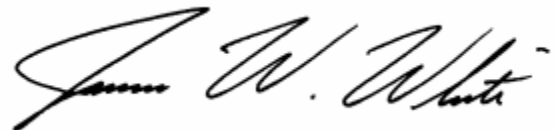
SB 3521 - HB 3444

could materialize from several scenarios including, but not limited to, the special allocation of state-shared sales tax was lower than the previous allocation based on population, and any increase of revenue resulting from the authorization to sell liquor-by-the-drink was not sufficient to offset any decrease of revenue resulting from a reduced allocation of state-shared sales tax revenue.

- Determining a precise fiscal estimate for this bill is especially problematic due to the number and extent of unknown variables. However, the Department of Revenue has indicated that it would be advantageous for at least one TRRD to repeal their election. Based on the tax allocations involved for this one TRRD, the department indicates a potential impact exceeding \$500,000 per year. As a result, it is estimated that some unknown amount exceeding \$500,000 per year would shift from the state's general fund to local governments.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a larger, more prominent script than the last name "White".

James W. White, Executive Director

/rnc